

Decision No. 8489

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 NEEDLES GAS AND ELECTRIC COMPANY re-
 questing that the Railroad Commission
 establish reasonable rates for elec-
 tric, gas and telephone service sup-
 plied to its customers in the City of
 Needles and surrounding territory.

ORIGINAL
 Application No. 5083.

BY THE COMMISSION.

FIRST SUPPLEMENTAL OPINION

A public hearing in this proceeding was held on Janu-
 ary 26, 1920, at Needles, before Examiner Satterwhite and the
 matter was submitted. At the request of the applicant, made
 subsequent to the hearing, the Commission held its decision in
 abeyance to enable applicant to effect a change in its manage-
 ment and to determine whether, by the improvement of service
 conditions and by certain economies, the property could be oper-
 ated without increasing rates.

After operating under the new management for approxi-
 mately six months, it appeared that relief in the form of higher
 rates was necessary and on September 10, 1920, the Commission is-
 sued its Decision No. 8073, establishing rates for electric and
 gas service. Applicant now asks that its rates for telephone
 service be increased.

The rates at present on file with the Commission and
 in effect, and those which applicant desires to place in effect,
 are as follows:

		<u>Present Rates</u>		<u>Proposed Rates</u>	
		<u>Wall</u>	<u>Desk</u>	<u>Wall</u>	<u>Desk</u>
<u>Inside City Limits</u>					
Business	1 Party,	\$3.00	\$3.25	\$4.00	\$4.25
"	2 "	2.50	2.75	-	-
Residence	1 Party	2.00	2.25	3.00	3.25
"	4 "	1.50	1.75	2.50	2.75
<u>Outside City Limits</u>					
Business	4 Party	2.50	2.75	-	-
Residence	4 "	1.75	2.00		
Extension Sets:					
	In Same Building,	.75	1.00	-	-
	Outside "	1.25	1.50		

In a statement offered by applicant since the hearing, operating expenses for the telephone system from January 1st to August 31, 1920, are shown to have amounted to \$3968.88, exclusive of depreciation. On this basis, operating expenses for the full year would amount to \$5953.32. This amount is approximately \$660.00 in excess of operating expenses for the year 1919. The net income for the year 1919, after allowing for depreciation, was approximately \$950.00. Applicant states that the salaries now paid its operators are higher than those paid in 1919 and that it will probably be necessary to pay further increases in salaries and wages aggregating approximately \$1344.00 per year. It is also represented that, considering the combined business of its three utilities, - electric, gas and telephone, - as a whole, it is now operating at a loss, and, unless prompt and sufficient relief is given, a receivership will result. It does not appear from the evidence presented at the hearing or from information which has been presented subsequently that applicant's telephone property is being operated at a loss. It does appear from the above, however, that present operating expenses are approximately equal to income and that applicant is entitled to relief.

A valuation of applicant's telephone property made by the Commission's engineers and filed at the hearing in this proceeding as Commission Exhibit "D" shows a reproduction cost of this property on an historical basis, of \$16,177.00.

The statement of operating expenses on which this earning is based having been compiled by applicant since the hearing, it appears that applicant is not now earning a reasonable return upon its property. We cannot agree with applicant, however, that the rates which it proposes are necessary to secure it against loss from the operation of its telephone service or that telephone rates should bear such loss, if any, as may result from the operation of applicant's other utilities. On the other hand it is perhaps true that conditions at Needles are such as to justify higher rates for telephone service than should obtain under more favorable conditions of operation.

In determining just and reasonable rates, the Commission is unwilling to take into account in operating expenses increases in salaries and wages which may be contemplated but not actually in effect and which are more or less uncertain. In view of the foregoing, however, we are willing to recommend that applicant be permitted to make effective the rates set forth on the following order. Based upon the stations actually in service on January 1, 1920, these rates will yield a net return upon the reproduction cost above referred to of approximately 10% after payment of present operating expenses, plus 4% for depreciation reserve, but without taking the salary increases above referred to into account.

O R D E R

The Railroad Commission having on September 10, 1920, issued its Decision No. 8073, establishing rates to be charged and collected by Needles Gas and Electric Company for electric and gas service, and said Needles Gas and Electric Company having applied for an order establishing rates for telephone service, a hearing having been held, the matter being submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the rates for telephone service now charged by Needles Gas and Electric Company, in so far as they differ from the rates hereinafter established, are unjust and unreasonable and that the rates hereinafter set forth are just and reasonable rates to be charged and collected by Needles Gas and Electric Company for telephone service, and,

Basing its conclusions on the foregoing findings of fact and on the other findings of fact set forth in the opinion herewith,

IT IS HEREBY ORDERED that Needles Gas and Electric Company be and it is hereby authorized to publish and file with this Commission within thirty days of the date of this order and to make effective on and after January 1, 1921, the following schedule of monthly rates:

	<u>Business Service</u>		<u>Residence Service</u>	
	<u>Wall Set</u>	<u>Desk Set</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party,	\$3.75	\$4.00	\$2.50	\$2.75
2 "	3.25	3.50	2.00	2.25
4 "	-	-	1.75	2.00

Extension Sets

Same Building, same premises,	1.00	1.00	1.00	1.00
Outside building, same premises,	1.50	1.50	1.50	1.50

The rates hereinabove authorized are applicable within the city limits of the City of Needles. For service beyond the city limits mileage charges, in addition to the authorized rates, shall apply, mileage to be measured in a direct air line from the central office switchboard at the following rates:

1	Party Line, per quarter mile or fraction,	50¢	per month.
2	" " " " " "	35¢	" "
4	" " " " " "	25¢	" "

PROVIDED that, except as herein modified and except as modified by Decisions No. 2879 and No. 8146, the present rates, rules, regulations and practices of Needles Gas and Electric Company, in so far as they relate to telephone service and rates, are hereby continued in full force and effect.

Dated at San Francisco, California, this 23rd day of December, 1920.

Edwin O. Edgerton
W. H. [unclear]
John R. [unclear]
H. T. [unclear]

Commissioners.